

EUROPEAN PARLIAMENT

Working Documents

1977 - 1978

1 July 1977

DOCUMENT 184/77

Report

drawn up on behalf of the Committee on External Economic Relations

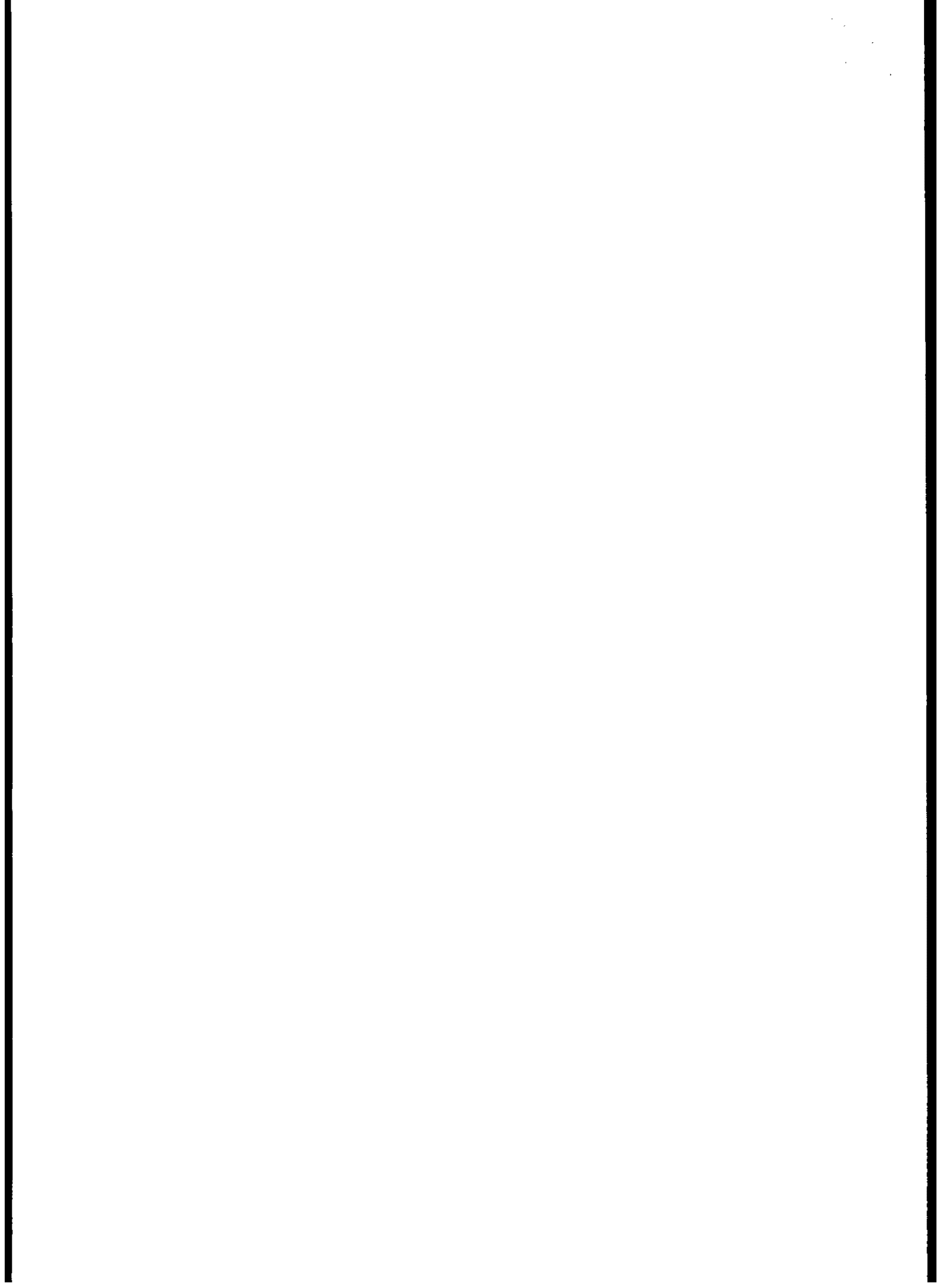
on economic relations between the European Communities and Nordic countries

Rapporteur: Mr J. MAIGÅRD

PE 48.338/fin.

English Edition

184/77





By letter of 9 March 1976 the Committee on External Economic Relations requested authorization to draw up a report on economic relations between the European Communities and Nordic countries.

Authorization was given by the President of the European Parliament in his letter of 2 April 1976.

On 20 April 1976 the Committee on External Economic Relations appointed Mr Maig<sup>o</sup>ard rapporteur.

It considered the draft report at its meetings of 25 May and 21 June 1977 and at the latter meeting it unanimously adopted the motion for a resolution and explanatory memorandum.

Present: Mr Martinelli, vice-chairman and acting chairman; Mr Maig<sup>o</sup>ard, rapporteur; Mr Amadei, Mr Bersani, Lord Castle, Mr Jakobsen (deputizing for Mr Scott-Hopkins), Mr L'Estrange, Mr Price, Mr Spicer, Mr Vandewiele and Mr Yeats (deputizing for Mr Nyborg).

# C o n t e n t s

	<u>Page</u>
A. Motion for a Resolution .....	5
B. Explanatory Statement .....	7
I. INTRODUCTION .....	7
II. NORDIC COUNTRIES .....	10
A. Finland .....	10
B. Iceland .....	12
C. Sweden .....	14
D. Norway .....	16
E. The Faroe Islands .....	18
F. Greenland .....	20
III. NORDIC COOPERATION .....	21
A. The Nordic area .....	21
B. The Nordic Council .....	24
C. EFTA Agreements .....	26
IV. RELATIONS BETWEEN THE EEC AND NORDIC COUNTRIES.....	27
A. Relations in general .....	27
B. The Free Trade Agreements .....	28
C. Effects of EEC-Nordic Country Agreements .....	31
D. Improvement of Free Trade Agreements .....	34
V. IDEAS AND PROPOSALS CONCERNING FUTURE COOPERATION BETWEEN THE EEC AND THE NORDIC COUNTRIES .....	35
A. Underlying principles .....	35
B. Nature of cooperation .....	36
C. Form of cooperation .....	39
<u>Annex I</u> : Extract from 'EUROPA', December 1976 .....	46
<u>Annex II</u> : Declaration of the summit of the European Free Trade Association held in Vienna on 13 May 1977 ... ..	54
<u>Annex III</u> : Statement to the press by Mr Haferkamp, vice-president of the Commission, on the results of the conference of members of the Governments of the EFTA-countries ....	59
<u>Annex IV</u> : Press conference by Mr Haferkamp on the EFTA states' summit .....	60

The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the economic relations between the European Communities and Nordic countries.

The European Parliament,

- noting that present relations between the Nordic countries outside the EEC (i.e. all except Denmark) and the EEC Member States are exceptionally good
- having regard to the common economic, political and social problems and those in the field of energy and the environment now facing the Western European countries,
- having regard to the need to extend cooperation to all Western European countries, including the northern ones, with a view to solving these problems,
- noting the establishment on 1 July 1977 of a Western European free-trade area encompassing 16 countries (9 EEC countries plus 7 EFTA countries),
- having regard to the economic and commercial interdependence between the EEC Member States and Sweden, Norway, Iceland and Finland,
- emphasizing the democratic political traditions common to the above nations,
- recalling that Norway voted in a referendum against EEC membership,
- having regard to the significant cooperation already existing between the EEC Member States and the abovementioned Nordic countries, for example in the matter of free-trade agreements, monetary cooperation through the 'snake', Euratom research, trade union organizations,
- considering, however, that broader cooperation between the EEC States and their Nordic neighbours is desirable and feasible only if based on the following fundamental principles:
  - (a) respect for each other's economic and political freedom of action and autonomy,
  - (b) respect for each other's interest in being informed of and consulted on economic and political questions,
- entrusting Denmark, as the only country which is both a member of the EEC and a Nordic country, with particular responsibility for relations between the EEC countries and Nordic countries,
- having regard to the report of the Committee on External Economic Relations (Doc. 184 /77),



1. Notes with satisfaction the close cooperation and contacts already exist between the EEC States and Sweden, Norway, Iceland and Finland.
2. Requests the Commission to draw up a general report before the end of the year on the possible areas and forms of more intensive cooperation between the EEC States and the abovementioned Nordic countries:
3. Calls on the Commission to prepare a reply as soon as possible to the Declaration<sup>1</sup> adopted by the EFTA countries (four, thus a majority, of which are Nordic) at their summit meeting in Vienna on 13 May 1977, and to submit appropriate concrete proposals to the Council;
4. Requests the Council to contact the EFTA Council of Ministers with a view to the possible organization of joint meetings of ministers or officials. This type of institutionalized political contact could be particularly useful in dealing with the problems of removing technical barriers to trade;
5. Asks the Council and the Foreign Ministers meeting in political cooperation to establish regular contacts with the Governments of the Nordic countries referred to on matters of common Western European interest in international negotiations and organizations and through direct meetings between the countries;
6. Looks forward to closer contacts between these countries at the level of trade unions and interest organizations, possibly through collaboration between the Economic and Social Committee, the EFTA Consultative Committee, the ETUC and other industrial and trade organizations;
7. Declares itself ready to take up contacts with a view to establishing parliamentary relations with the Nordic countries that are not members of the EEC, and instructs its President to prepare a report on this subject before the end of the year;
8. Instructs its President to forward this resolution and report to the Council and the Commission of the European Communities, the Foreign Ministers meeting in political cooperation, the leading transnational Western European interest organizations, the Nordic Council, the Governments of the Member States and of Finland, Sweden, Norway and Iceland, the Lagting of the Faroe Islands and the Landsting of the Åland Islands.

<sup>1</sup> Point 2 of the Declaration deals with 'A European market comprising sixteen countries', and point 4 'The development of trade and economic cooperation with the European Community'.  
The complete text of the declaration is annexed to this report. See also Annexes 3 and 4 (Reaction of the Commission and the Press Conference by Mr Haferkamp, Vice-President of the Commission).

I. INTRODUCTION

1. The countries which go to make up the European Communities represent only a part of the western European continent. While it is true that the importance of the EEC as an economic entity is considerable and that the vast majority of the population of western Europe lives within its nine Member States, the fact remains that a fairly large number of Western European countries do not - or do not yet - belong to the EEC.

Thus Western Europe can be divided into three groups of countries:

- (a) the nine Member States of the EEC;
- (b) the countries which have applied for membership or which may do so in the future. This group comprises all the southern European (Mediterranean) countries: Greece, Portugal, Spain and possibly Turkey, Cyprus and Malta;
- (c) the countries which for various reasons are most unlikely to apply for membership. This group includes all the EFTA countries (with the exception of Portugal) and may be sub-divided into two further groups:
  - (i) the 'Alpine' countries: Austria, Switzerland (and Liechtenstein),
  - (ii) the Nordic countries: Norway, Sweden, Iceland and Finland.

Not all the Nordic countries, however, come under this group (c - ii): one country, Denmark, which definitely belongs to the Nordic group of countries, is a full member of the EEC, and must therefore be included in the first group of countries.

2. This report will be concerned in particular with the last of these groups of countries. It therefore sets out to examine present trade relations between the EEC and Finland, Iceland, Norway and Sweden and to assess their nature and importance. It also examines the current agreements between the EEC and those countries and attempts to suggest how the present relations might be developed to include cooperation in fields other than trade with a view to strengthening links with these countries, which cannot be ignored if many problems of mutual interest are to be examined in a European context.

3. For a number of years the EEC has promoted special relations with countries of the Mediterranean area. These special relations go far beyond the European boundaries of the Mediterranean into the northern hemisphere of Africa. Since 1972, the EEC has attempted to pursue a global and balanced approach towards Mediterranean countries involving not only trade arrangements but also technical cooperation and financial aid. Apart from the Association Agreements with Greece and Turkey,

which envisage membership of the EEC at a later stage, (Greece's application for membership is mentioned later) agreements have been concluded with Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Portugal, Spain, Syria, Tunisia and Yugoslavia.

New agreements with Egypt, Jordan and Syria were signed in January 1977 and negotiations with Lebanon were recently concluded. An agreement with the latter country was signed in 1972 but never ratified. Apart from provisions relating to trade and financial assistance, the recent agreements with the Maghreb and Mashreq countries include provisions on economic and technical cooperation, covering such matters as the development of production and economic infrastructure, trade promotion, industrial cooperation, cooperation in farming and fisheries, encouragement of private investment, cooperation in the fields of science, technology and environmental protection.

It is clear, then, that the EEC is aiming at a relationship with Mediterranean countries which goes beyond the mere establishment of a free trade area.

As members are aware, Greece applied for membership of the EEC in June 1975 and negotiations are at present in progress to work out the terms on which she will enter the EEC. Moreover, Portugal, and perhaps Spain, are likely to seek membership in the not too distant future.

The existing network of agreements with Mediterranean countries gives the EEC a definite bias towards that area, insofar as the EEC has decided on a policy of forging closer links with the area and has actively pursued this policy in recent years. The possible enlargement of the EEC to include Greece, Portugal and Spain will accentuate this bias towards the Mediterranean.

4. This partly explains why the question has arisen whether the EEC should not seek to develop relations with Scandinavia or, to be more precise, with the Nordic countries. This does not, however, mean that the Nordic countries, in developing their relations with the EEC, must imitate the Mediterranean countries, since the political and economic differences, especially as regards infrastructure, between the northern European and southern European countries are too great. The situation of the Nordic countries should accordingly be considered on its own merits.

5. This report is based on the following three factors:

- (a) the Nordic countries have a strong sense of common identity and, as it were, constitute a natural entity. The manner in which this entity has evolved will be examined below.
- (b) it is unlikely that any of these countries (not counting Denmark of course) will apply for membership of the EEC. As is known, four of the five Nordic countries decided not to join the EEC for political and economic reasons. The EEC respected their attitude at that time and must continue to do so in the future.
- (c) both the Member States of the EEC and the Nordic countries have a democratic system and belong to the industrially developed nations, so their interests are largely similar. When one considers the specifically Western European nature of all these countries, it is not surprising that there is marked mutual dependence between the Nordic group and the EEC. This is reflected in a large number of problems which Western Europe currently has to cope with, such as economic and monetary problems, energy policy, the environment and social problems (especially unemployment). These problems affect the whole of Western Europe and it is hardly conceivable that the EEC will be able to find solutions to them alone, i.e. without the cooperation of the EFTA countries.



## II. THE NORDIC COUNTRIES

6. As noted above, the Nordic group comprises five sovereign states i.e., Finland, Iceland, Sweden, Norway and Denmark. A number of facts relevant to relations with the EEC are given below concerning each of these countries (except for the EEC country, Denmark). This list would not, however, be complete if account were not taken of two territories which, though not sovereign states, must undeniably be included in this group. These are the Faroe Islands and Greenland, to which special attention will also be paid in this context. These territories are linked, to varying degrees, with Denmark, which belongs to both the EEC and the Nordic group and therefore plays an important role as go-between.

### A. Finland

7. Finland, with an area of 337,032 sq. km. had a population of 4.7 m in 1975. A quarter of the surface area of the country lies north of the Arctic Circle and almost half of its land frontier adjoins the Soviet Union.

Approximately 35% of the population is engaged in industry, 17% in agriculture, forestry and fishing and 48% in services.

The principal industries are paper, food, machinery and textiles.

#### (a) Foreign policy and special relations with the USSR

8. The cardinal principle of Finnish foreign policy is absolute neutrality, which follows logically from the geographical situation and recent history of the country.

Thus Finland refused Marshall aid in 1947 because she felt that the political implications of dependence on the US outweighed the purely economic advantages.

This neutral stance was formalized in the Pact of Friendship, Cooperation and Mutual Assistance, concluded with the Soviet Union in the spring of 1948, under which recognition was given to Finland's desire to stand aloof from conflicts between the Great Powers.

Since then, Finland has endeavoured to follow a step in the one direction with a step in the other. Thus association with EFTA, which under international law is equivalent to a trade agreement, was preferred to full-member status. A few months earlier in 1960, a similar customs agreement was concluded with the Soviet Union, guaranteeing the latter, in its trade with Finland, the same advantages as EFTA Members had after Finland's association.



A cooperation agreement with COMECON also preceded the free trade agreement with the EEC, which is characterised by greater restraint than the agreements with the other EFTA countries. For instance, it does not include the customary future developments clause on the further expansion of relations in many areas.

It makes good sense for Finland to cultivate trade with the Soviet Union, not only for political reasons but also from the point of view of economic development strategy. The Soviet Union is one of the principal buyers of finished products from Finland and, at the same time, a large supplier of goods, chiefly raw materials and agricultural products.

The turnover in terms of value of Finnish imports from the USSR almost doubled after the oil-price increases. In the short term, it seems there is little possibility of corresponding increases in Finnish exports.

(b) Finland-EEC trade

9. The EEC is Finland's main trading partner. Between 1971 and 1975, external trade, i.e. the sum total of all imports and exports, increased by a nominal 120% and in real terms by approximately 60%.

FINLAND/EEC TRADE 1970-1975<sup>x</sup> (\$ million)

Total Trade

Trade with the EEC

(a) Community of Six

	IMPORTS	EXPORTS	BALANCE	IMPORTS	%	EXPORTS	%	BALANCE
1970	2,636	2,306	- 330	708	26.8	536	23.2	- 172
1971	2,794	2,356	- 438	735	26.3	524	22.2	- 211
1972	3,198	2,947	- 251	878	27.5	616	20.9	- 262

(b) Community of Nine

	IMPORTS	EXPORTS	BALANCE	IMPORTS	%	EXPORTS	%	BALANCE
1973	4,208	3,724	- 484	1,713	40.7	1,723	46.2	+ 10
1974	6,806	5,486	- 1,320	2,491	36.6	2,374	43.2	- 117
1975	7,603	5,503	- 2,100	2,807	36.9	1,958	35.6	- 849

(i) Imports

10. In 1975 approximately 37% of Finnish imports came from the EEC, 20% from EFTA, 20% from Eastern Europe and 5% from the USA.

<sup>x</sup> Sources: - various Yearbooks of Nordic Statistics  
- EFTA Facts and Figures, July 1976  
- EFTA Bulletins

Imports from the EEC in 1975 accounted for approximately US \$ 2,800 m out of total imports worth approximately US \$ 7,600 m.

The main items imported from the EEC are chemical products, machinery, vehicles and other industrial products.

Finland's share of EEC exports is approximately 0.9%.

(ii) Exports

11. In 1974 the EEC took 43% of Finnish exports. In 1975 the figure dropped to approximately 36% because of the effects of the trade recession in the EEC. In that year, EFTA took 25% of Finnish exports, Eastern Europe took 24% and the USA took 3%. Exports to the EEC in 1975 accounted for \$ 1,958 m out of total exports of \$ 5,503 m.

The main items exported to the EEC are raw materials, such as wood paper, animal and vegetable fats, and industrial goods.

The Finnish share of EEC imports is approximately 0.8%.

B. Iceland

12. Iceland is a volcanic island covering an area of 103,020 sq. km. Its population (1975) of 216,628 persons is mainly concentrated in the coastal areas. The hinterland consists of barren mountainous country which is largely uninhabited.

The Icelandic economy is highly dependent on its fishing industry, which accounts for approximately 70% of export revenue and nearly 50% of the national income. Iceland is, therefore, particularly susceptible to the price fluctuations which are characteristic of the fish market. The price collapse in the USA in 1974, arising from a glut of fish imports, led to heavy losses in Icelandic income and exacerbated inflation, which in 1974 alone increased consumer prices by 54% while the gross national product rose by only 4%. In 1975 it actually fell by 7%.

13. When EFTA was established in 1960, Iceland was not invited to participate partly because of an unsettled cod war with the United Kingdom over the question of the 12-mile fishery limit and partly because it was known that, for economic reasons, the government did not wish to join anyway. Nevertheless, a number of EFTA countries were big buyers of Icelandic exports. Less than 10% of her exports were absorbed by the six EEC members compared

with approximately 45% by the seven EFTA countries. When the United Kingdom and Denmark, Iceland's main EFTA customers, applied for membership of the EEC in 1961-62, it became important for Iceland likewise to seek an agreement. However, this became less urgent when the United Kingdom was refused entry at that time.

To ensure access to European markets, in part for the country's growing industrial exports, Iceland applied for membership of EFTA which took effect on 1 March 1970.

#### Trade

14. Iceland's main trading partner is the EEC taken as a whole. Between 1971 and 1975, external trade, i.e. the sum total of all imports and exports, increased by a nominal 380% and in real terms by approximately 100%.

#### ICELAND/EEC TRADE 1970-1975<sup>\*</sup> (\$ million)

##### Total Trade

##### Trade with the EEC

##### (a) Community of Six

	IMPORTS	EXPORTS	BALANCE	IMPORTS	%	EXPORTS	%	BALANCE
1970	157	147	- 10	43.2	27.5	24.6	16.7	- 18.6
1971	220	150	- 70	58.2	26.5	17.6	11.7	- 40.6
1972	232	190	- 42	64.1	27.6	30.9	16.3	- 33.2

##### (b) Community of Nine

1973	354	290	- 64	154.5	43.6	111.7	38.5	- 42.8
1974	524	329	- 195	235.0	44.8	94.8	28.8	- 140.2
1975	420	265	- 155	188.6	44.9	65.7	24.8	- 122.9

##### (i) Imports

15. In 1975 approximately 45% of Icelandic imports came from the EEC, 20% from EFTA, 10% from Eastern Europe and 10% from the USA. In that year imports from the EEC accounted for approximately \$ 189 m out of total imports worth approximately \$ 420 m.

The main items imported from the EEC are machinery, textiles, metal products and foodstuffs.

Icelandic imports account for approximately 0.08% of total EEC exports.

<sup>\*</sup> Sources: - Various Yearbooks of Nordic Statistics  
- EFTA Facts and Figures, July 1976  
- EFTA Bulletins

(ii) Exports

16. In 1975 approximately 25% of Icelandic exports went to the EEC, 20% went to EFTA, 13% to Eastern Europe and 30% to the USA. \$ 65.7 m worth of exports went to the EEC out of total exports worth \$ 265 m.

The principal items exported are fish and fish preparations, aluminium and animal and vegetable oils and fats.

Iceland's exports to the EEC comprise 0.03% of total EEC imports.

C. Sweden

17. Sweden occupies three-fifths of the Scandinavian peninsula and has an area of 449,964 sq. km. Forests cover 56% of the country. It had a population of 8.208,442 in 1975.

In 1975 about 7.5% of the total active population in Sweden was employed in agriculture, hunting, forestry and fishing and about 25% was employed in manufacturing.

In the same year, the Swedish Gross National Product amounted to \$69,000m which is more than twice the size of the Norwegian and Finnish GNPs (respectively \$ 28,300 m and \$ 26,300 m in 1975) and nearly double that of Denmark (\$35,700 m).

The most important single industry is that manufacturing metal products, machinery and equipment, which accounted for about 43% of total Swedish manufacturing in 1975. Wood, wood products, paper and paper products constituted about 24% of total Swedish manufacturing in the same year. In third position, food, beverages and tobacco constituted only 9% of total Swedish manufacturing.

Trade

18. SWEDEN/EEC TRADE 1970-1975<sup>\*</sup> (\$ million)

Total Trade

Trade with the EEC

(a) Community of Six

	IMPORTS	EXPORTS	BALANCE	IMPORTS	%	EXPORTS	%	BALANCE
1970	7,005	6,782	- 223	2,376	33.9	1,870	27.6	- 506
1971	7,059	7,440	+ 381	2,321	32.9	1,990	26.8	- 331
1972	8,024	8,674	+ 650	2,684	33.4	2,234	25.7	- 450

(b) Community of Nine

1973	10,550	12,103	+ 1,553	5,833	55.3	6,103	50.4	+ 270
1974	15,687	15,814	+ 127	8,407	53.6	7,587	48.0	- 820
1975	17,822	17,137	- 625	9,358	52.5	7,679	44.7	- 1,679

(i) Imports

19. Principal imports are manufactured goods, machines and transport vehicles. In 1975, imports from the EEC amounted to 52.5% of total Swedish imports.

West Germany, the UK and Denmark are Sweden's most important suppliers. Together they provided about one-fifth of total Swedish imports in 1975.

For Sweden, trade with the EEC is of considerable importance. The Sweden-EEC Free Trade Agreement covers approximately 96.7% of Swedish exports to the EEC and approximately 94.4% of Swedish imports from the EEC.

(ii) Exports

20. Swedish exports are mainly composed of basic manufactures such as paper, steel, machinery, food commodities, and transport goods, but also include a considerable quantity of raw materials.

In 1975, exports to the EEC amounted to \$7,679 out of total exports of \$ 17,137 m, exports to the EEC accounting for about 45% of the total. The UK, West Germany and Denmark are Sweden's best customers.

<sup>\*</sup> Sources: - Various Yearbooks of Nordic Statistics  
- EFTA Facts and Figures, July 1976  
- EFTA Bulletins



The EEC takes between 75 and 80% of all Swedish paper exports, and approximately 45% of her steel exports went to the EEC in 1974.

Although the value of Swedish food exports to the EEC increased from \$ 105 m in 1972 to \$ 108 m in 1974, there was in fact a quantitative decrease when allowance is made for inflation.

D. Norway

21. Norway covers an area of 323,886 sq. km. and has a population of approximately 4 m.

In 1975 about 34% of the population was engaged in industry, 11% in agriculture and fishing and 55% in services (including Norway's large merchant fleet).

Agriculture is handicapped by both the geographical structure of Norway and her climate. Less than 3% of the land area is cultivated and the contribution by agriculture to the Gross National Product is about 3%.

For a long time Norway was mainly a source of raw materials such as iron ore, timber and fish. Today hydroelectric power is increasingly being used for the expansion of industries such as shipbuilding and mechanical engineering, electronics and aluminium.

Fishing is carried on mainly from relatively small, privately owned boats. Because of its importance the Norwegian Government took protective action in 1975 by extending the Norwegian economic zone to 200 miles.

The merchant fleet - one of the largest and most modern in the world - is a decisive factor in compensating for the chronically negative balance of trade. It contributes about 10% of the Gross National Product.

22. The discoveries of large oil and gas deposits in Norwegian waters in 1965/66 gave a boost to the construction of drilling platforms and equipment and also made possible an enormous expansion of the petroleum processing industry. The government, which has taken the oil and gas business under its supervision, is pursuing a policy of low growth in oil production, to avoid abrupt economic and social changes. The huge investments for the exploitation of oil deposits, which have increasingly depressed the balance of trade in recent years, have therefore been financed mainly by foreign loans which, it is hoped, will be repaid out of profits from oil sales.

23. As a whole, the Norwegian economy is very outward looking. Over 90% of Norwegian ships trade between other countries and carry other countries' goods.

Between 80% and 90% of fish caught by the Norwegians are exported.

Exports of well over 50% of production are also achieved by the cellulose, paper and chemical industries and by the metal extraction and artificial fertiliser industries.

#### Trade

24. The EEC is by far the largest trading partner of Norway. Between 1971 and 1975, Norway's external trade, i.e. the sum total of all exports and imports, increased by a nominal 90% and in real terms by approximately 40%.

#### NORWAY/EEC TRADE 1970-1975<sup>\*</sup> (\$ million)

##### Total Trade

##### Trade with the EEC

##### (a) Community of Six

	IMPORTS	EXPORTS	BALANCE	IMPORTS	%	EXPORTS	%	BALANCE
1970	3,697	2,455	- 1,242	919	24.9	728	29.7	- 191
1971	4,089	2,565	- 1,524	1,001	24.5	706	27.5	- 295
1972	4,372	3,281	- 1,091	1,150	26.3	781	23.8	- 369

##### (b) Community of Nine

	IMPORTS	EXPORTS	BALANCE	IMPORTS	%	EXPORTS	%	BALANCE
1973	6,188	4,651	- 1,537	2,797	45.2	2,204	47.4	- 593
1974	8,434	6,292	- 2,142	3,531	41.9	2,956	47.0	- 575
1975	9,645	7,210	- 2,435	4,213	43.7	3,733	51.8	- 480

<sup>\*</sup> Sources: - Various Yearbooks of Nordic Statistics  
- EFTA Facts and Figures, July 1976  
- EFTA Bulletins.

(i) Imports

25. In 1975 approximately 44% of Norwegian imports came from the EEC, 25% from EFTA, 3% from Eastern Europe and 7% from the USA. Imports from the EEC accounted for \$ 4,212 m out of total imports worth approximately \$ 9,700 m.

The main items imported from the EEC are machinery, vehicles and chemical products.

Norway's share of EEC exports is approximately 1.3%.

(ii) Exports

26. In 1975 approximately 52% of Norwegian exports went to the EEC, 20% went to EFTA, 4% to Eastern Europe and 6% to the USA. Exports to the EEC accounted for \$ 3,733 m out of total exports worth \$ 7,210 m.

The main items exported to the EEC are machinery, vehicle components and raw materials, principally wood and iron ore.

Norway's share of EEC imports is approximately 1%.

E. The Faroe Islands

27. The Faroes are a group of 18 islands in the Atlantic between Scotland and Iceland with a total area of about 1,400 sq. km. and a population of 37,000.

The Faroe Islands have long been under Danish administration. The Home Rule Act of 1948 gave them control over all their internal affairs but the Danish Folketing, to which the Faroese send two MPs, looks after matters of mutual concern such as defence and foreign policy. Thus the Faroe Islands, unlike Greenland, as we shall see, are not an integrated part of Denmark.

Only some 6% of the land surface is cultivated. The most important sector of the Faroese economy is fishing, which employs over 20% of the labour force and contributes to about 30% of the GDP. Moreover, fishery accounts for nearly all the islands' exports.

28. This territory enjoys a special position in its relations with the EEC. The Act concerning the conditions of accession<sup>1</sup> stipulates that the Treaties of Rome and Paris are not applicable to the

---

<sup>1</sup> OJ No. L 73, 27.3.1972 - Articles 25, 26 and 27.



Faroe Islands, but that the Government of Denmark may give notice by a declaration deposited by 31 December 1975 at the latest that these Treaties should apply to the Faroes. So long as this has not been done and until the abovementioned date the customs treatment applicable at the time of accession to imports originating in and coming from the Faroe Islands into the other regions of Denmark will continue to apply. This does not, however, mean that these products are in free circulation, within the meaning of the EEC Treaty<sup>1</sup>.

The Danish Government has never made the declaration referred to above because the people of the Faroe Islands have not so far shown any interest in joining the EEC.

29. On 1 August 1974, however, the Council of the European Communities adopted a regulation<sup>2</sup> comprising measures providing for the progressive elimination of customs duties on imports of products originating in and coming from the Faroe Islands which are essential for their economic and social development. This regulation understandably relates exclusively to fish products. Indeed, the Council explicitly acknowledges that fishing is vitally important for the Faroe Islands.

30. The fishing issue was settled on 15 March last in a bilateral framework agreement between the EEC and the Faroe Islands, two provisions of which were:

- mutual recognition of their respective 200-mile zones;
- fishing by both parties to be subject to certain conditions.

---

<sup>1</sup> OJ No L 73, 27.3.1972 - Protocol No. 2 on the Faroe Islands

<sup>2</sup> OJ No L 212, 2.8.1974.

F. GREENLAND

31. Greenland has been a constitutional part of Denmark since 1953, prior to which it was a colony. Greenland (the largest island in the world) is 1.2 times as big as the EEC but has only 50,000 inhabitants (of whom 16,000 Danes). About 16% of the surface area of the country is icefree.

The most important sectors of the economy are fishing, hunting and sheep-farming. There are also manufacturing industries, housing, road and bridge construction. There are gas and oil reserves, as well as minerals and uranium.

32. It is intended that Greenland should have home rule with effect from 1 May 1979. This is currently being discussed in a special commission. Greenland, as part of Denmark, currently belongs to the EEC, despite the fact that the majority of the population (76%) voted against membership. After achieving self-government, Greenland will in all probability reconsider its position towards the EEC.

### III. NORDIC COOPERATION

#### A. The Nordic Area

33. As pointed out at the beginning of this report, there is such a close relationship between the five Nordic countries that it is no exaggeration to say that they constitute a natural entity. These countries share a similar historical and cultural heritage, which is reflected in, for example, the similarity between their languages. Their forms of government are cast in the same democratic mould and even their economic structure reveal close similarities. It is not therefore surprising that this 'natural' integration has given rise to a sense of common identity which in practice manifests itself in many areas.

34. These five countries have jointly set up the Nordic Council, and inter-parliamentary conference in which the general situation in the Nordic area is discussed, positions are harmonized and recommendations are made to the governments. This has produced a number of important cooperation arrangements, such as the establishment of a passport union, the completely free movement of workers, measures in the social field, etc.

35. As far as external policy is concerned, it is striking to note that the Nordic countries belong to a large number of international organizations at both regional and world level. In particular, Norway, Sweden and Iceland are full members of EFTA while Finland is an associate member.

Finally, the Nordic countries consult one another regularly and on an institutionalised basis on matters of foreign policy. They have, for example, always been strong supporters of intensifying East-West relations and usually adopt similar positions in the field of development cooperation. Also within the United Nations there exists a traditional close cooperation, for example in the field of African policies.

#### International cooperation

##### a. on a world-wide and general western level

36. The five Nordic countries, like the EEC Member States, are not only members of world organisations such as UNO and ILO, but also belong,

to a greater or lesser extent, to Western organizations like OECD, the International Energy Agency (except for Norway, which has a special agreement with the Agency) and to NATO (except for Finland and Sweden).

b. on the Northern European level

37. Three of the five Nordic countries - Finland, Sweden and Denmark - were parties to the convention signed by seven States in Helsinki on 22 March 1974 on the protection of the Baltic Sea against pollution; of the EEC countries, the Federal Republic of Germany, as well as Denmark, also signed. The other three signatory states were the Soviet Union, Poland and the German Democratic Republic. Although there are certain difficulties as regards the representation of the EEC as a single entity in this convention, this should not deter the two EEC countries from ratifying it at the earliest date possible. The rapid entry in to force of the convention might help to avert environmental disaster in the Baltic.

38. Further in this context the North East Atlantic Fisheries Commission should be mentioned, which at the same time contains representatives of Nordic countries, EEC Member States and Socialist countries, and which therefore cuts right across existing political barriers.

c. on the Western European level

39. Finland's freedom to join in regional groupings with possible political aims is limited by her desire to preserve a balance in her relations between East and West. Consequently, while the other three Nordic countries are members of the Council of Europe, Finland is not. In the case of Iceland, one would expect that because of her size she would play a more modest part in regional groupings than her more powerful Nordic neighbours. But as we have seen, this is not the case.

40. Norway and Sweden have taken part in the monetary 'snake' since the beginning of 1973, the other participating countries being Denmark, Germany, Belgium, the Netherlands and Luxembourg. They also take part in the European Conference

of Ministers of Transport (ECMT). This body was founded in 1953 and aims at achieving the most rational development of European inland transport. Finland, Norway and Sweden also cooperate on COST (Coopération Scientifique et Technique), a form of scientific and technological cooperation between 19 European countries which started in 1969. Further, Sweden associated itself in 1975 by a formal treaty with Euratom to the EEC's Nuclear Fusion Programme. Other Western European organisations are the European Space Agency (ESA) and the European centre for nuclear research (CERN).

41. In the North-South Dialogue, Finland, Norway and Sweden have joined with three EEC countries, Belgium, the Netherlands and the one country which belongs to both groups, Denmark, to form a Group of Six small countries among the 19 developed countries which cooperate on matters raised in the Dialogue. This is also the case in UNCTAD.

42. At non-Governmental level, trade unions in all the four Nordic countries are members of the European Trade Union Conference (ETUC) founded in 1973, and composed of the trade unions of the EEC and EFTA countries. Norway and Sweden also take part in the EUROSPEACE cooperation, which involves industrial bodies, banks and insurance companies. They are also members, together with Finland, of the European Cultural Foundation.



B. The Nordic Council

43. The natural integration which has developed between the Nordic countries in the course of their history has facilitated international cooperation between these countries and made the setting up of supernational institutions - such as those to be found in the EEC - unnecessary and undesirable. This emerges clearly from the operation of the Nordic Council, where the cooperation model employed is international, not supernational.

(a) Background

44. The Nordic Council is an advisory body and was inaugurated in 1953. It started with four member states: Denmark, Iceland, Norway and Sweden, and Finland joined subsequently in 1955.

Until 1962, cooperation between the Nordic countries took place in a rather informal manner without any contractual basis, as the statute of the Nordic Council consisted merely of a jointly drafted text given national validity in each country. Nevertheless within a few years of the institution of the Council, three important developments had taken place. A Common Nordic Labour Market was established in 1954. A convention on social security was concluded in 1955, giving citizens the same rights, benefits and obligations in each Nordic country, and a passport union became a reality in 1956. Progress was also made towards uniformity in legislation and interpretation of law, as the legal systems are similar in all five countries.

In 1962 the Helsinki Treaty was concluded. This Treaty was revised in 1971 and laid the foundation for Nordic cooperation in regard to economic, social, cultural, environmental, legal and communications questions.

In 1968-70 an attempt was made to create a Nordic economic union, the NORDEK. This union was meant to be similar in scope to the EEC, providing for tariff reductions and a customs union, joint financing of various projects involving agriculture and fishing and the establishment of institutions to put these policies into practice. The negotiations broke down mainly because of considerable divergences in economic interests and failure to agree on foreign policy.

(b) Organization

(i) Praesidium

45. This body is elected by the Council each year at its plenary assembly and consists of five members. It takes charge of the Assembly's work between sessions. The President is a member, normally the Chairman, of the delegation of the host country.

(ii) Plenary assembly

46. This assembly consists of 78 delegates elected annually from the parliament of each country (18 each from Denmark, Finland, Norway and Sweden, and 6 from Iceland), and of non-voting Government representatives. The representation of political parties in each delegation reflects the composition of its national parliament.

Recommendations adopted at the annual sessions are sent to the Nordic Council of Ministers. Governments have no obligation to act on the assembly's recommendations, though recommendations which have been passed by a large majority carry great weight with both Governments and individual Parliaments.

(iii) Standing committees

47. Council members are split up between five standing committees which deal with economic, cultural, legal, social and environmental affairs and communications. These committees meet during and between the Council sessions, and also hold discussions with the Nordic Council of Ministers.

(iv) Secretariat

48. Each delegation to the Nordic Council has a secretariat at its national parliament.

The Praesidium has a secretariat in Stockholm to which the five standing committees are attached.

(v) Council of Ministers

49. The Council of Ministers was established in 1971. It holds both formal and informal meetings and is attended by ministers with responsibility for the subject under discussion. Each member state is also represented by a Minister for Nordic Cooperation with cabinet rank.

Formal decisions, which are taken unanimously, are binding on the member Governments, except in certain cases where ratification in the Parliaments is required.

Meetings are concerned with agreements and treaties, guidelines for national legislation, recommendations from the plenary assembly, financing joint studies, and setting up Nordic institutions.

The Council of Ministers reports each year to the plenary assembly on progress made as regards cooperation between member states.

Since 1971, such cooperation has resulted in Treaties on such matters as communications and transport, technological and industrial development, investment and the environment.

C. EFTA Agreements

50. EFTA was established in 1960 to enable European countries which were not members of the EEC to develop their mutual trade in industrial goods. The seven members of EFTA (Austria, UK, Denmark, Norway, Sweden, Switzerland and Portugal) set out to establish an industrial free trade area in which the members would dismantle the barriers to trade in industrial goods among themselves but maintain their own tariffs and their own independent commercial policies towards the rest of the world. To this end tariffs and quotas between member states were progressively reduced until they were largely abolished by 1967. Finland became an associate member in 1961 and Iceland joined in 1970 as a full member.

51. The abolition of quantitative import restrictions and tariff barriers helped to bring about a great increase in the volume of trade between the EFTA countries. Profiting from the favourable economic climate that characterised the 1960's and from the advantages of a market of abt. 100 m. consumers, the EFTA countries were able to reinforce their industrial structures without suffering any painful adjustments.

Cooperation established between the EFTA countries was not limited to the simple removal of direct obstacles to trade. It has also extended to administrative barriers, restrictive business practices, government aids to exports, the right of establishment as well as the purchasing practices of public authorities.



52. After the UK, Norway and Denmark applied for membership of the EEC, negotiations took place with the other EFTA members in order to seek a solution to the problems with which they would be faced following enlargement of the EEC. This aspect is dealt with in greater detail in the next Chapter.

#### IV. RELATIONS BETWEEN THE EEC AND THE NORDIC COUNTRIES

##### A. Relations in general

53. As pointed out above, the EEC and the Nordic countries are dependent on each other to a considerable degree. This interdependence is due in particular to the following factors:

- (a) both the Member States of the EEC and the Nordic countries belong to the European continent and their peoples therefore have a common historical and cultural background;
- (b) their political systems are based on the same democratic principles;
- (c) both the Nordic countries and the Member States of the EEC belong to the industrially developed nations.

54. Consequently, the Nordic countries and the Member States of the EEC maintain, on the whole, close and friendly relations with one another. In particular economic and trade relations have been stepped up considerably and can even be described as intensive. Thus about half of Sweden's exports come to the EEC. The former is an important supplier of wood and paper and the Swedish car industry has also secured a large share of the EEC market. About 50% of Norway's trade is with the Member States of the EEC.

Norway's importance for the EEC will undoubtedly increase when it becomes an oil supplier. The EEC's share of Finnish trade is about 30%.

55. This interdependence relates also to capital movements and industrial cooperation. As pointed out above, the Nordic countries and the EEC should cooperate to find solutions to the major problems with which the whole industrialised world, and consequently Western Europe too, is currently confronted. Most of the Nordic countries therefore wish to participate in consultation on these issues and, generally speaking, they wish to extend and intensify their relations with the EEC - the scope of which has so far been determined by the free trade agreements. At another point in this report consideration will be given to the manner in which these demands might be met.

B. The Free Trade Agreements

a) EEC

56. On 22 July 1972, exactly six months after the signature of the Act of Accession to the EEC by the applicant countries, the EEC concluded negotiations with a number of EFTA countries including Iceland and Sweden. After the negative result of the Norwegian referendum of

September 1972, Norway applied to negotiate an agreement as she was still a member of EFTA. Agreements with Norway and with Finland were signed in 1973. The following table sets out the position:

Country	Agreement signed	Agreement came into force	Official Journal ref.
Finland	5.10.73	1.1.73	L 328 28.11.73
Iceland	22.7.72	1.1.73	L 300 31.12.72
Norway	14.5.73	1.7.73	L 171 27.6.73
Sweden	22.7.72	1.1.73	L 300 31.12.72
Faroe Islands	1.8.74	1.9.74	L 212 2.8.74

These Agreements maintained the free trade area already established within EFTA and extended it gradually to trade between the enlarged Community and the countries remaining in EFTA. This was done by reducing tariffs between EFTA and the EEC at the same rate as reductions were made between old and new members of the Community.

All the Agreements have the following common features:

i) Scope of application

57. The Agreements apply to industrial products under chapters 25 to 99 of the Common Customs Tariff (CCT). The Agreement also covers processed agricultural products.

ii) Customs duties

58. The schedule adopted for the progressive reduction of tariffs on goods traded between the Nordic countries and the EEC is similar to that adopted in the Treaty governing the accession to the EEC of the three new Member States. This Treaty provided for the phasing out of customs duties and fixed customs charges in five stages of 20% from 1 April 1973 to 1 July 1977.

III) Rules of origin

59. Since the advantages of free trade must be reserved for goods of the members of the free trade area, rules of origin have to be introduced in order to define whether goods are entitled to free trade within the area or not. Otherwise, goods from third countries could be imported into the country belonging to the free trade area which had the lowest import duty and then could freely circulate in the area without further processing. Whether these origin rules are liberal or restrictive depends, among other things, on the possibility of using materials and parts from third countries in the finished product.

Rules have been drawn up which fix the degree of work or processing required for a product to take on the origin of a contracting party and thus benefit from the preferential system.

The rules are largely similar to those already worked out by the EEC in its dealings with other non-Member countries. But they obviously allow for the special ties between European industrialized states and the high degree of industrial division of labour.

iv) Agriculture

60. Here the Agreement simply expounds a principle and a procedure. The principle affirms that the contracting parties are prepared, while respecting their agricultural development policy, to foster the harmonious development of trade in agricultural produce not covered by the Agreement. This then allows the different parties complete freedom in implementing their agricultural policy. Nevertheless a procedure is provided for by which any problems arising in the trade of agricultural produce shall be investigated by a Joint Committee.

v) Global measures

61. The Agreements contain measures to avoid distortion arising vis-à-vis EEC industries. These measures relate to:

- non-discrimination in respect of taxation;
- non-discrimination in respect of payment and trade credit;
- exceptive clauses concerning public safety, law and order;
- protection clauses for: sectoral and regional problems, tariff disparities, dumping, balance-of-payments problems, breaches of the obligations written into the Agreements.

vi) Joint Committee

62. Joint Committees were set up between the EEC and each of the Nordic countries to supervise the proper functioning of the Agreements. They meet twice a year.

vii) Future developments clause

63. With the exception of Finland, the contracting parties state that they are prepared to examine the scope for developing and amplifying their relationships and, if it seems of value, to extend them to areas not covered by the current Agreements.

viii) Special measures for certain products

64. Special measures have been laid down for particular products which extend the period for the abolition of tariffs. These measures are summarized as follows:

- Paper:

phasing out of customs duties over 11 years (1.1.84);  
ceilings for imports from Finland and Sweden.

- Ferrous, non-ferrous and precious metals:

extended phase-out (1.1.80);  
global quantities.

- Processed agricultural products:

concessions provided on only the fixed element of customs protection of these products with none allowed on the variable element. The variable element is to compensate the gap between world prices and internal EEC prices of basic agricultural products.

- Fish:

EEC concessions in relation to imports from Iceland.

- Industrial goods from Iceland:

extended phase-out (1.1.80 for some products, 1.1.85 for others).

b) ECSC

65. Under the ECSC Treaty special agreements with each of the Nordic countries were necessary. These agreements aim at subjecting enterprises in these countries to a price discipline comparable with that governing EEC undertakings and at ensuring non-discrimination.

Since Iceland does not produce coal or steel, an agreement was made primarily ensuring preferential access by ECSC products to the Icelandic market.

C. Effects of EEC-Nordic Country Agreements

66. In 1972, the EFTA secretariat issued a study called 'The Trade Effects of EFTA and the EEC 1959-1967'. The secretariat came to the following conclusions (pages 58-9):

'Both EFTA and EEC were successful in creating new trade, though at a relatively high cost in trade diversion. The main impact on traditional trade flows was felt in Europe, since most of the trade diversion of each group affected the other group. In all the EFTA and EEC countries there was trade creation and export effects were substantial, so that there were beneficial effects on the distribution of production which probably outweighed the waste of resources associated with trade diversion.'

The study also concluded that there had been both more trade diversion and creation in EFTA, that the EFTA economies were more complementary, and that the rules of origin had been both liberal and positive and had permitted 'substantial integration effects'<sup>1</sup>.

---

<sup>1</sup> 'The External Economic Relations of the EEC' by Peter Coffey.

67. By July 1977, with some exceptions, a vast industrial free trade area will have been created in Western Europe. The combined EEC-EFTA bloc is important not simply because of its size but also because it brings together both complementary and competitive economies. The new links between the EFTA and EEC countries will tend to diminish the trade diversion effects which were noted in the 1972 EFTA study.

68. Any attempt to assess in greater detail the effects of the free trade agreements is complicated by a number of factors. Firstly, the time scale is too short. The agreements have only been in force for a little over four years and this is not sufficient to enable the long-term effects to be identified and evaluated. Moreover, trade distortions have arisen as a result of increased costs of oil and other commodities and the economic recession in Europe generally.

(a) Finland

69. The fact that the statistics on trade with the EEC Member States have shown an improvement in Finland's favour, with exports to the EEC greatly exceeding imports, is not to be interpreted as a direct result of the free trade agreement. The real explanation lies in the higher prices of export goods mostly manufactured from Finnish raw materials (hitherto exports of manufactured goods to the EEC countries were negligible) and in the drop in imports of manufactured goods.

Thus the development of Finland's trade with the EEC is in complete contrast with the development of its trade with the Soviet Union: increases in the price of necessary imports of raw materials, particularly oil, have so reduced Finnish purchasing power that substantial purchases of industrial products are no longer possible. This limits the possibilities for imports from Western Europe.

(b) Iceland

70. In 1901, Denmark reduced the protected fishing zone around Iceland, which then belonged to the Danish Crown, from 16 to 3 miles, in return for which the British Government promised to buy Danish agricultural products. In 1952, having meanwhile gained its independence, Iceland extended the limit from 3 to 4 miles, whereupon England boycotted Icelandic trawlers. In 1958, when Iceland claimed a 12-mile limit, the British Navy intervened; it did so again in 1973 when Iceland claimed a fishing limit of 50 miles and in 1975 when she extended the limit to 200 miles.



's extension on 15 October 1975 of its fishing limits from nautical miles, must be seen against the dependence of Iceland on fishing and their growing concern that over-fishing by foreign vessels is causing irreparable damage to their fishing grounds. Iceland's fish stocks and catches have undeniably fallen dramatically; for example, the annual herring catch fell from 760,000 tonnes to 60,000 tonnes between 1964 and 1973 and the haddock catch fell from 110,000 tonnes in 1962 to 44,000 tonnes in 1969.

The Icelanders now wish to protect stocks so that a process of renewal and stabilization may be accomplished during the next decades.

71. At the signing of the agreement with Finland, on 22 July 1972, the Council of Ministers emphasized that until a satisfactory solution was found to the dispute between Iceland and EEC Members in relation to fishing limits, Protocol No. 6 of the Agreement, concerning Icelandic fishery products, would not come into operation. This Protocol provides for reduced customs duties on imports into the EEC of certain Icelandic fishery products.

With the conclusion on 1 June 1976 of an agreement between Iceland and the United Kingdom on fishing quotas, the Council issued a Regulation on 18 June 1976 (OJ No. L 161/76) bringing Protocol No. 6 into force.

(c) Sweden

72. A striking fact is the importance to Sweden of trade with the enlarged EEC, which supplies about half her imports and takes about half her exports.

In recent years the annual rate of growth of Swedish imports from the other EFTA countries was very similar to that of imports from the EEC countries. On the export side, 1975 was a poor year as the rate of growth of total Swedish exports showed a fall, as did the rate of growth of exports to both EFTA and the EEC.

(d) Norway

73. One of the critical points in the negotiations for Norwegian membership of the EEC was to achieve a compromise between the EEC request that Norway should allow in more agricultural products from the EEC and the Norwegian wish for a reduction of customs duties on imports of fish products from Norway into EEC countries.

The beginning of North Sea oil exploitation changed Norway's trade pattern considerably. As already mentioned, very expensive equipment, mostly from France or the USA, is being installed to take advantage of new oil deposits, and petroleum plants and chemical factories are also under construction. The necessary imports of capital goods for these purposes have distorted the balance of trade in the short term.

D. Improvement of Free Trade Agreements

(a) Technical barriers to trade

74. These barriers stem from the existence of different regulations imposed by various governments to ensure that manufactured goods comply with certain basic requirements relating to safety, consumer protection, and environmental protection. If products do not comply with these regulations they cannot be put on the market. To the extent that these regulations vary from country to country, a technical barrier to trade arises and a manufacturer must vary his product to satisfy the requirements of each market.

A certain amount of work has been done within the EEC on the harmonization of technical regulations imposed by Member States. In this respect, there is room for greater cooperation between the EEC and Nordic countries; cooperation which goes beyond the contacts within the joint committees set up under each free trade agreement.

(b) Rules of origin

75. Much valuable work has been done in this respect within the joint committees set up to supervise the day-to-day operation of the free trade agreements. The procedure for the certification of originating status has been simplified and the number of documents in use has been reduced.

(c) Future cooperation

76. The following chapter examines the possible areas of cooperation which might be developed in the near future to the mutual advantage of both the Nordic countries and the EEC.

77. Denmark, which belongs to both the Nordic group and the EEC, could play an important role as go-between in this context.



V. IDEAS AND PROPOSALS CONCERNING FUTURE COOPERATION BETWEEN THE EEC  
AND THE NORDIC COUNTRIES

A. Underlying principles

78. Greater contact and increased cooperation between EEC countries and the Nordic countries (e.g. as put forward for discussion in sections B and C below) are scarcely desirable or practicable unless based upon the following principles:

- (a) The EEC must respect the autonomy and economic and political freedom of action of the Nordic countries.

This principle means respecting the characteristic features of each Nordic country's security and foreign policy, whether non-alignment (Sweden), treaties with other countries (Finland) or its special position in international law (the Faroe Islands, Svalbard), as well as the formal and informal means of collaboration that have developed between the Nordic countries, either internally or within international organizations.

- (b) The EEC must respect each nation's inherent right to decide for itself whether it wants affiliation and, if so, in what form.

This involves acceptance of the Norwegian and Faroese peoples' rejection of the offer of membership, respect for whatever decision may be taken by the people of Greenland concerning their relations with the EEC once the future system of home rule has been introduced, as also abstention from any use of pressure to bring about a change in a country's legal position in relation to the EEC.

- (c) Each party's unqualified respect for the letter and spirit of agreements entered into, including trade agreements.

- (d) Respect for all parties' right to be informed and consulted.

Acceptance of this principle would place an obligation upon the EEC countries to ensure that discussions among themselves on matters of foreign policy do not lead to the Nordic countries becoming isolated, but instead that their views be constantly taken into account; in this way, cooperation can be achieved on a truly Western-European scale and not merely in narrow EEC terms.

This principle could also entail a duty to inform one another on future plans relating to economic and trade policy, etc., possibly by means of preliminary consultations between the EEC and those Nordic countries that might be concerned.

- (e) In this context, Denmark, as the only member country of the EEC belonging to the Nordic group of countries, has a special role to play as intermediary between the EEC and the Nordic countries.

B. Nature of cooperation

79. Mention can be made of a number of areas in which closer cooperation between the EEC and the Nordic countries is not only feasible but an urgent necessity. A list follows below of examples of several such areas, and Section III will go on to consider possible ways of implementing the requisite cooperation.

(a) Trade

Although cooperation in this area has on the whole worked smoothly up to now, there is still good reason for seeking a number of modifications. This applies for example to the rules of origin, where the job of simplifying the provisions currently in force could be expedited. In view of the operation of the CAP it would be more difficult to seek modifications in relation to trade in foodstuffs and food products in order to bring them, to a greater extent than is the case at present, within the scope of existing schemes applicable to industrial products for the phased reduction of customs duties and for exemption from such duties. Nevertheless, discussions might take place on this matter with the Nordic countries as a whole and not with each individual country as is the case at present.

Furthermore discussions on the abolishment of technical trade barriers could be started immediately.

(b) Monetary policy

In the monetary area cooperation could be fruitful in view of Sweden and Norway's current participation in the 'snake'.

(c) Economic policy

The economic crisis and its effects upon employment require a greater degree of concerted effort at international and trans-national level not only in the field of general economic policy but also in that of industrial policy.

(d) Labour market and social policy

Consideration could be given for example to the question of migrant workers. The geographical aspect of the problems involved in itself underlines the need for coordinated solutions with countries inside and outside the EEC.

(e) Energy policy

This will be of vital importance in the future to the whole of Europe and therefore requires close cooperation among the producer countries around the North sea. In this sector, a coordinated solution to the problems surrounding North Sea gas and oil would be one possibility. Another obvious step would be collaboration in the field of research (e.g. on alternative sources of energy).

(f) Environment policy

One example of the kind of problems involved is air pollution, which has been spreading northwards from the continent (inter alia in the form of sulphur dioxide which has been contaminating Norwegian, Swedish and Finnish lakes). Geographic location also creates a relationship of mutual dependence as regards maritime pollution (the North-East Atlantic, the North Sea, the Baltic Sea).

(g) Shipping

Under this heading, joint discussions, particularly on the position to be adopted on UNCTAD's convention on shipping, seem self-evident.

(h) Fishing

The first aim of cooperation in this field is to conclude agreements between the EEC and the Nordic countries which are satisfactory to both sides. Here special consideration should be given to countries or territories, such as Greenland and the Faroese, for which fishery is a matter of survival.

(i) Research

Projects that have been started on a truly Western European scale within the framework of COST (European cooperation in the field of science and technology) concerning e.g. telecommunications, meteorology, gas turbines, water pollution, etc. ought to be intensified with the active participation of the Nordic countries.

(j) Controlling multinational companies

International and transnational cooperation in this area could derive inspiration from, for instance, the programmes put forward by NFS (Nordens Fackliga Samorganisation = Nordic Trade Union Confederation; action programme adopted in 1975), from ETUC (European Trade Union Confederation; resolution adopted in 1976), from the Danish Government's memorandum to the Council (July 1973), from the EEC Commission (Communication to the Council in November 1973), and from the report by the European Parliament<sup>1</sup> (rapporteur: Erwin Lange, January 1977). Cooperation in collecting and distributing information could also involve the coordinating group for matters relating to multinational companies set up in 1975 by the Nordic Council of Ministers.

(k) Relations with the Third World

In planning a new economic world order, benefit could be gained from coordinating the efforts of Western European countries, possibly in the shape of cooperation between individual EEC countries and individual non-Member States. Contacts of this nature have, as mentioned above, taken place between three Nordic countries (Sweden, Norway

---

<sup>1</sup> Adopted by the European Parliament on 19.4. 1977 (Doc. 547/76).



and Finland), two EEC countries (the Netherlands and Belgium) and one country which is both a Nordic country and a member of the EEC (Denmark). These are the so-called 'likeminded' countries.

On a further point, any far-reaching moves to adapt to a new global industrial structure as part of the new economic world order will be most effectively and least painfully carried out by a process of coordination between the industrial countries as such or between regional groupings of these countries.

C. Form of cooperation

80. In considering the possible forms which both new and increased links between the EEC countries and their peoples and the Nordic countries and their peoples could take, it will probably be useful to draw a distinction between the state or governmental level and the transnational or non-governmental level.

(a) The governmental level

81. Within this framework, cooperation could be envisaged as being directed through two different channels, i.e. the multilateral and the bilateral; these two terms refer to the EEC's interaction with, respectively, a number of (or all) the Nordic countries or with just one. The distinction alludes therefore to the other party's method of representation.

(aa) Multilateral cooperation

(i) EFTA

82. EFTA at present consists of seven countries (Sweden, Norway, Finland, Iceland, Austria, Switzerland and Portugal), a majority of which are, as indicated, Nordic. Any step towards closer relations between the EEC and EFTA will therefore automatically acquire a certain Nordic dimension, and a development of this kind seems all the more natural in view of the fact that two EEC Member States, England and Denmark, were members of EFTA until they joined the EEC in 1973. Moreover, all the EFTA countries have strong links with the EEC in the shape of free trade agreements and by virtue of the fact that as from 1 July 1977, all sixteen countries will form one integrated free trade area for more or less all

industrial products<sup>1</sup>.

83. One of the ways in which cooperation could be organized at this level would be to hold joint meetings of ministers, with representatives from all the countries belonging to the two organizations as well as from the EEC Commission. These meetings could even in the course of time be placed on a regular footing, e.g. twice yearly as is the case with consultations between the EEC and the USA (cf. similar ideas put forward in the 'Economist', 1 January 1977, p. 9).

Preliminary consideration of this idea has, as far as EFTA is concerned, taken place at its summit meeting which was held on 13 May 1977 in Vienna on the invitation of Chancellor Bruno Kreisky of Austria. At this first meeting of its kind, extending links with other Western European states, were one of the items on the agenda, and the Norwegian foreign minister Knut Frydenlund has for example already declared his country's readiness to increase political cooperation in Western Europe (see 'Agence Europe', 17 December 1976, p. 3).

The communiqué issued at the end of this meeting outlines the ways in which the EFTA-countries would like to see increased cooperation with the EEC developing : "The EFTA governments are convinced that it would be desirable to develop the existing cooperation within EFTA and - in varying degrees of intensity - between EFTA countries and the European Community by means of an increased exchange of information and closer consultations on economic questions and, where appropriate, coordinated efforts in order to secure free trade and to improve the general economic environment. Possibilities and methods should therefore be explored of enlarging cooperation in fields such as the stimulation of a stable economic growth, the fight against unemployment and inflation, the promotion of monetary stability and the concordant elaboration of legal norms in sectors of common economic interest."

---

<sup>1</sup>For a more detailed argument in favour of a new 'form of cooperation' between the EEC and its European neighbours, not least the Nordic countries' see the article by Finn Olav Gundelach in the Danish version of the monthly magazine 'European Community' (EUROPA, No 10, December 1976) which is attached as Annex I to this report).

The European Commission also expressed - by the mouth of commissioner HAFERKAMP - its satisfaction on the outcome of the Vienna summit and welcomed the call for increased cooperation between the two organizations. EFTA is the EEC's main trading partner and in 1976 almost 25 % of EEC exports went to the seven nation Association. With the abolition of tariff barriers on industrial goods between the EEC and the seven countries, extra emphasis will need to be placed on seeing that non tariff barriers do not hinder trade between the 16 countries. Other sectors where this cooperation could be extended on a pragmatic basis, according to the Commission, could be transport, shipping, environment and various areas of industrial cooperation<sup>1</sup>.

84. A second possible framework would be the tripartite conferences (in which, as is well known, governments participate). The EEC already has experience of conferences of this kind, and EFTA held a similar conference recently in Stockholm. It is interesting to note that the ETUC, which took part in the EFTA conference - as it does in the tripartite EEC conferences - has advocated greater consultation and broader cooperation between EFTA and the Community. Therefore a joint tripartite conference would be a distinct possibility. (Further details below where non-governmental relations are discussed).

(ii) UNCTAD

85. Through international organizations like UNCTAD, a pattern of multilateral links could be envisaged between, on the one hand, the EEC and, on the other, the Nordic countries.

One example of a pragmatic course of action being pursued along these lines is the way in which (as mentioned above) six small countries have been collaborating in the planning of a raw materials fund (decided in principle by UNCTAD 4 in Nairobi).

(iii) GATT

86. Wherever possible; the EEC and the Nordic countries ought to adopt common positions, during the negotiations with the United States and Japan at the Tokyo round. It is in the interests of both the EEC and its Nordic partners, which are heavily dependent on trade, that the principle of free world trade should be defended. Furthermore, this would enable Europe to speak to the world with greater authority.

<sup>1</sup>See 'European Report' No 418 as well as the Annexes II, III and IV attached to this report.



(iv) UN

87. Even at the UN, it would be possible to add a Nordic dimension to the Nine's internal coordination as regards committee work and voting behaviour, possibly in the form of informal mutual consultations.

ab) Bilateral cooperation

(i) 88. In seeking to intensify the EEC's relations with each individual Nordic country, the most obvious foundation would presumably be the existing free-trade agreements. The latter already make provision for joint bodies (the joint committees). At the bilateral, governmental level therefore, the legal and institutional preconditions for closer collaboration already exist in their entirety from the very outset.

(ii) 89. Institutional arrangements will also need to be evolved for strengthening links with Nordic regions that stand in a special relationship to the EEC. This applies in particular to the Faroe Islands which, although a part of the Kingdom of Denmark, have chosen under their system of home rule to remain outside the EEC. The same goes for Greenland, which within the foreseeable future will be granted home rule and so have the option of reviewing its affiliation to the EEC.

b) The non-governmental level

90. At the non-governmental or transnational level, it will also be possible to find existing machinery ideal for strengthening and diversifying links between the EEC countries and the Nordic countries.

Possibilities that come to mind in this context are the various organizations representing specialized interests, other organizations and groupings as well as parliamentary assemblies.

ba) Organizations representing special interests

91. As far as links at organization level are concerned, it may be useful to distinguish between uni-dimensional and two-dimensional or multi-dimensional relations, depending on whether they involve only one particular type of organization (e.g. trade unions) or several different kinds (e.g. plus employers associations).



(i) Uni-dimensional forms

92. - at trade union level, a structure already exists which without difficulty acts as the go-between for collaboration among the national trade union organizations in the nine EEC countries and in the four Nordic countries, viz. ETUC. That the ETUC is by its very nature a broadly-based Western European body (as distinct from merely a Community body) is underlined by the simple fact that the secretary-general is a Luxembourger and the deputy secretary-general a Swede, with the executive committee likewise containing representatives from Nordic countries.

93. - with employers organizations for example, the same does not apply at present since UNICE only covers the Nine. Yet here again, as in the case of other professional organizations, there is a well-developed network of contacts.

(ii) Two-dimensional or multi-dimensional forms

94. - the tripartite conferences could be used in this context. These were mentioned above in connection with participation by public authorities, but there is also good reason to consider the arrangement from the point of view of the special-interest organizations. EFTA comes into the picture again at this point, since it might be an idea to expand the number of participants, who up to now have come from EEC countries, so as to include EFTA's Consultative Committee (which can be compared with the ESC of the EEC). Something along these lines has been adumbrated by the Consultative Committee itself (see the statement it issued after its meeting on 10 September 1976 and which indeed deals to a large extent with the need for Western European cooperation on a broader front in social and economic matters). It should also be mentioned that EFTA's own tripartite conference, which was recently held in Stockholm, has in fact taken the form of a special meeting of the Consultative Committee, with the various governments being represented alongside the permanent workers' and employer's representatives.

95. - still in the context of EFTA, another possibility would be a progressive strengthening of links between the EEC's Economic and Social Committee and EFTA's Consultative Committee. Meetings already take place between representatives of EFTA professional organizations and the external section of the ESC<sup>1</sup>.

<sup>1</sup>See 'Agence Europe' No 2080 of 25/26.10.1976, p. 11.

96. - another body in which cooperation could be pursued is the future European Trade Union Institute (Institut Syndical Européen). It is to be established under the auspices of the EEC with participation by EEC bodies, but there would be scope for extending its range of functions beyond the geographical area covered by the EEC. Research and training activities engaged in by the institute could for instance also be of use to the Nordic countries. This would naturally also involve an outside financial contribution. Reference may be made here to a conference which the Commission held in December 1976 on the subject of controlling the activities of multinational companies and to which it had invited employees not only from three companies based in the EEC but from a Swedish company as well<sup>1</sup>.

97. - by way of a final example, the ILO could provide another forum for contacts. Closer collaboration with delegations from the Nordic countries would be possible here without any need for new institutions.

bb) Other channels

98. Under this heading, a large number of possibilities suggest themselves, but we will confine ourselves to a single one, viz. consumer organizations. This is another area in which the EEC has a role to play, for instance in continuing the 'assises communautaires des consommateurs' (EEC colloquia for consumers), which the Commission arranged on 2-3 December (see 'Le Monde', 6 December 1976). Representatives of Swedish consumer organizations also took part in the proceedings with observer status, but it would seem an obvious step to invite in the future participants from all the Nordic countries and grant them normal status.

bc) Parliamentary links

99. Ties with the EEC's neighbours in the North could also be strengthened by increasing parliamentary links. The EEC's starting point would have to be the European Parliament, and it would be quite natural for Parliament to take an initiative along these lines, especially in view of the fact that it already maintains regular contacts with the parliamentary bodies of a large number of countries

---

<sup>1</sup> See 'European Report' of 8.12.1976

(Greece, Turkey, the USA, Canada, Israel, India, the Lomé countries, Asean, and Latin America). The Nordic countries' counterpart could either be the four national parliaments acting on an individual basis or the plenary assembly of the Nordic Council (which includes 78 members from the five Nordic parliaments, plus the 'lagting' on the Faroe Islands and the 'landsting' on the Åland Islands).



Extract from 'EUROPA', December 1976

By Finn O. GUNDELACH, Member of the Commission of the European Communities:

A South-orientated EEC policy must be balanced by a more North-orientated policy

The EEC has a responsibility at one and the same time to ensure in Greece, Portugal and Spain the transition from former dictatorship to democracy, and to extend cooperation with its close neighbours in Northern and Central Europe, including the other Nordic countries.

While it is not possible in theory to equate cultural ties with political and economic ones, experience shows that in practice good neighbours share cultural links, mutual political influences and sound economic cooperation.

Under the influence of developments and circumstances that have been predominantly South-orientated, the European Communities' evolution has in recent years had a geographical bias.

Greece has applied for full membership of the EEC, and her accession is currently under consideration. It is too early to conjecture about how long these negotiations will last but, judging by the positive reaction from the Member States conditioned as it is by political considerations including the desire to strengthen Greece's recently regained democracy, it is only a matter of time before Greek membership becomes a reality.

At the same time, the Portuguese Government has announced that Portugal intends to apply for membership in the not-too-distant future. Again, the reason is the same: association is being sought with Western Europe, organized in the form of the EEC, in order to acquire the political ballast which can safeguard democracy in Portugal.

My view is that a formal Portuguese application for membership will be presented in a year's time.

50 million inhabitants in the three new applicant countries

It is also a well-known fact that the Spanish Government's programme includes plans to apply for membership as soon as democracy has been established in Spain with the holding of free elections. Once again, the connection is quite obvious.

The political, economic and social upheavals that are taking place in Spain are so great that, in order to ensure stability in the country and



hence a positive outcome to the process of democratization, it is essential for Spain to obtain a firm anchorage within a larger entity, and the only possible anchorage capable of securing democracy in Spain is to be found in the existence of the European Communities. I shall not venture to speculate on a timescale for the process of democratization in Spain, nor on whether the end result of this process currently going on in Spain will be satisfactory from the general European viewpoint. It is quite clear however, that the Member States of the EEC want Spain to go through this process and are ready to make their contribution to its fulfilment.

These Mediterranean countries - Greece, Portugal and Spain - together have a population of over 50 million as well as great economic potential.

#### The Community's political obligation

This applies with special force to Spain which, with its 32 million inhabitants and a sizeable manufacturing industry, is the most important of the three countries. However, enlargement of the EEC from nine to twelve members means difficult decisions and substantial economic obligations for the present Member States.

At the same time, it is plain that the EEC is economically and politically interested in helping to bring about democracy and political stability in the Mediterranean area; it is likewise clear, however, if one studies developments in these countries, that the process of democratization is unlikely to be carried through and made permanent unless economic, social and political aid is provided by Western Europe in the form of the EEC.

A task therefore exists which, irrespective of the fact that the EEC is an instrument of economic cooperation, imposes political obligations on the Communities, since the EEC was also designed as a means of bringing peace and stability to Western Europe after the miseries experienced during the Second World War. We have an undeniable responsibility to accept such burdens as have to be borne in ensuring that former dictatorships, which as neighbours of ours form part of Western European civilisation and share the same economic structure, undergo an evolution which will bring them closer to our human and political ideals.

#### The enlargement of the EEC raises problems

While it is evident that we have a responsibility - and a heavy responsibility at that - for progress towards democracy in Southern Europe, it is equally evident that enlarging the Common Market to include three new member countries will create serious problems.

And I am not thinking now so much of administrative matters, such as increasing the number of official languages and introducing officials from the new countries into the EEC administration, etc., however serious such questions may be for the day-to-day work of the Community. I am thinking first and foremost of the political and economic problems which enlargement of the EEC entails.

The fact is that these three countries, regardless of the differences in development between them, are predominantly less well developed from the economic point of view than the present Member countries of the EEC. In other words, by enlarging the EEC to include these countries we are very much assuming a direct responsibility for continued economic and social development in areas which require substantial assistance.

#### We must assume a heavy economic burden

If, therefore, political action is to succeed and not lapse into its opposite, i.e. bitterness at Europe's betrayal of its responsibility, accepting the three countries' membership will imply a commitment to assume a heavy financial burden in order to assist economic activity in these countries.

We must be willing to inject substantial funds into these countries to ensure that during a comparatively short period they can be raised to something approaching the level of development in the rest of Europe.

This is necessary, however, in order to make sure that membership status is backed up by the economic realities required to guarantee political development. Yet it is also essential for development in Europe itself, for what would happen if we were to admit into the EEC, where considerable economic tensions have already arisen between the nine present Member countries, three new countries which are even further removed from the economic average in present-day Europe, without providing economic aid for these new countries?

What would happen would be that the dynamic development which we need in Europe would be further attenuated. Now is the time therefore to examine current economic difficulties as manifested, for example, by recent instability in foreign exchange markets. Currency instability is a symptom of economic disparities of a more structural nature.

#### Europe - poor in natural resources

In the European Communities we have achieved a fair number of what were our original goals. We have established a free market for the bulk of trade, for the movement of goods, services and labour and, with certain

restrictions, for the free movement across frontiers of investment capital as well.

We have created an internal market for approximately 257 million people, thus providing European industry with the domestic market that is a vital condition of our ability to compete in the world market.

I should like to say something in this connection which I have often said before but which is so often forgotten in the public debate, namely that the trade aspect is not just a technical matter, of interest solely to wholesalers and trade associations, but something fundamental to Western European civilization.

We are a part of the world which is poorly endowed with natural resources. We do not have many raw materials. We do not have many riches apart from the beauty of our natural surroundings.

The affluence upon which our social systems and our civilization rest is due to the skill and ability of our citizens in converting imported raw materials and semi-manufactures into increasingly advanced industrial products which we can sell to one another and to the rest of the world.

We are not an America with huge resources. We are not a Russia with huge resources. Nor are we a China with huge potential resources.

We have nothing but our people and they will not be able to do justice to their skills unless we have the opportunity of trading freely with one another, with our neighbours and with the rest of the world.

We must have the backing of a common policy

To maintain free trade in a complex modern society is not just a question of keeping markets free of restrictions and of removing duties, levies and all other barriers to free trade. It is in the deepest sense a question of maintaining that which is a precondition of our affluence and our democracy.

To enable cooperation to be continued in coherent form, it is of vital importance that we are underpinned by a common policy, even if at the expense of what is understood by classic trade policy. We do not yet have an adequate policy of this kind as far as general economic policy is concerned, and that includes monetary policy.

At present, we are letting the divergences increase between us in respect of different rates of inflation and varying trends in our balance of payments. This will not do. The prerequisite for continuing and maintaining European cooperation is to bring about closer collaboration in the general economic and monetary field.

The disparities in productivity, inflation and the level of costs that exist between the EEC countries cannot be removed by modifying exchange rates.

We cannot go on tolerating the speculative currency movements caused by the instability of exchange rates. The answer therefore is that we in Europe must pursue a coordinated economic policy by which the debtor countries would control their level of costs so as to increase their export capacity, while the stronger creditor countries would have to step up their economic activity thus creating markets for increased exports from the debtor countries. Outside the EEC we must act jointly in asking our industrialized trading partners to follow a similar policy, since it is no longer possible to conduct an international trade policy without pursuing general international policies.

#### Two years wasted in discussion on energy policy

We must also explain to our own people that we are not playing Father Christmas when we give aid to the under-developed countries. We are giving them aid because it is important to increase stability in the world. And also because they are our best customers.

Our position in relation to the Arab countries would be strengthened, if only we could at last grasp the necessity not merely of discussing an energy policy but of pursuing such a policy, which would on the one hand bring real savings in energy while at the same time opening up alternative sources of energy.

In Europe, the USA and Japan we have wasted two years on just talking - without actually achieving any results either in international organizations, at national level or for that matter in the EEC.

#### Liberal society is at stake

What is at stake for Europe is not whether we are going to be a little better off or a little worse off but whether we shall be able to maintain liberal society as we know it. It is a matter of being able to preserve the basis of an open democratic society. The basis of such a society will be at risk unless we can rally to the task of developing international cooperation by establishing an advanced monetary and energy policy and



and by adopting a new attitude towards the underdeveloped countries.

We already have problems enough among the Nine. How much more difficult will it be then when we admit three new countries which are in a much more difficult economic situation than any of the Nine. Such a step will require of us not only declarations of democratic support but tangible aid to be drawn from our tax payers' pockets at the expense of our own level of consumption.

Can we live up to this responsibility? It is not the EEC as an institution but Western Europe's democratic credentials which depend on the answer to this question. This applies not only to the EEC countries but to the EFTA countries as well. Among the EFTA countries, the Nordic group is the largest, but there is also Switzerland and Austria. They have the same problems whether members of the EEC or not. They have exactly the same problems as we do. They are dependent on an open world and, in their external relations, they have to pursue the same policy as the EEC. Their geographical locations and their close relationship with the other European countries make this essential. Yet they do not sit at the negotiating table since, for reasons which are universally respected, they are unable to join our association as full members.

#### Increased cooperation with the EEC' neighbours

We have the closest trading relations and hence, not unexpectedly, the closest cultural links with the countries which are our nearest neighbours. We also share the same view of democracy and, to use a cliché which nevertheless embodies a truth, we have a common outlook on life. We have maintained industrial free trade with the Nordic countries, which is of economic advantage to both parties. The arrangement is an excellent one and is working satisfactorily apart from the fact that Sweden has introduced certain unacceptable restrictions on shoe imports, though these will not doubt disappear. Otherwise there are no problems in this field.

Nevertheless, we cooperate very little with these countries on all the fundamental problems which I have mentioned such as monetary policy, general economic policy, environmental policy, energy policy, research policy, etc. In the present situation, where Europe must assume a special responsibility for social and democratic development in a number of Mediterranean countries, surely the time has come to set aside all prejudice and consider whether it might not be to mutual advantage if, for example, a closer form of cooperation could be found between the EEC and its neighbours in Europe - the Nordic countries in particular.

#### Policy of cooperation but not membership

There is no question of the EEC preparing the ground for any kind

D E C L A R A T I O N

of the summit of the European Free Trade Association held in Vienna on  
13 May 1977 (1)

---

1. The economic situation and the role of the EFTA countries in  
international economic co-operation

There is an urgent and general need for national action and international cooperation to create the conditions necessary for the continued recovery of economic growth. The EFTA governments note with appreciation the consensus reached at the special meeting of the EFTA Consultative Committee in Stockholm in February this year that priority must be given to the objective of achieving a lasting return to full employment and at the same time of obtaining sustained growth and price and monetary stability. In accordance with the objectives of the association the EFTA governments will continue to pursue active policies to this end.

The EFTA governments recognize that their economies react with particular sensitivity to problems in the world economy. The share of external trade in their economies is considerable, while representing only one per cent of world population the EFTA countries together account for 7 per cent of total world trade. Over the years EFTA countries have been in the forefront in promoting free trade and in pursuing active economic policies.

The EFTA governments welcome the emphasis placed by the heads of State and government in the Downing Street Declaration on the urgent task to create more jobs while continuing to reduce inflation. They share the view that inflation is one of the major causes of unemployment. They are also particularly concerned about the problem of unemployment among young people.

The EFTA governments confirm their preparedness to co-operate in appropriate international organizations with a view to attaining central goals for the economic policy and they reaffirm their support for the strategy for sustained economic expansion approved by the OECD Ministerial Council.

---

1 'Agence Europe' of 18 May 1977 - Europe documents No. 945



2. A European market comprising sixteen countries

A new milestone in European Economic Integration will be reached on 1st July this year, when a free trade system for industrial products comes into being between the sixteen countries of the European Free Trade Association and the European Community, thus a market of 300 million people will be constituted. The EFTA governments express their satisfaction that in spite of the recession and its negative effects on world trade, the dismantling of tariffs in Western Europe has continued without interruption. The important enterprise of establishing free trade, while representing a challenge to the economies involved, has proved to be viable and is producing substantial advantages for the countries participating in it. Moreover, the dynamic effects resulting from the greater prosperity of the economies of Western Europe are of advantage to all other trading nations.

3. The strengthening of cooperation in EFTA

As in the past seventeen years of its existence, the European Free Trade Association will have an important function to fulfil in the future. It will continue to be a useful and flexible instrument for the participating governments in the pursuit of their objectives regarding European free trade and economic cooperation. In accordance with the Stockholm Convention and in line with their open attitude, EFTA governments reaffirm their commitment to the concept of free trade, its consolidation and the further intensification of cooperation in the trade field. The EFTA governments are resolved also to strengthen the role of the organization as a framework for consultation on subjects of common economic interest related to the objectives of the Association. They will make use of it as a forum for joint consideration of wider European and world-wide economic problems in order to make a constructive contribution to economic cooperation in international fora.

4. The development of trade and economic cooperation with the European Community

Free trade relations in Western Europe have resulted in increased interaction between the economies of the countries concerned. It is therefore important to ensure that the advantages deriving from free trade are not jeopardized as a result of diverging economic developments and policies. The EFTA governments are convinced that it would be desirable to develop the existing cooperation within EFTA and - in varying degrees of intensity - between EFTA countries and the European Community by means of an increased exchange of information and closer consultations on economic questions and, where appropriate, coordinated efforts in order to secure free trade and to improve the general economic environment.

Press Conference by Mr. HAFERKAMP on the EFTA states' summit (1)

Mr. Haferkamp, Vice-President of the European Commission, made a statement to the press at the end of the EFTA States' Summit to express the Commission's satisfaction. After the European Council in Rome and the Economic Summit in London, the statement by EFTA heads of government represents the third solemn position adopted in favour of coordinated action by industrialised countries to curb inflation, relaunch expansion and avoid exchange restrictions. For the EEC in particular, the position adopted by EFTA is particularly important, due to the fact that within a few weeks' time the two groups will represent a single commercial zone, without customs barriers; on 1 July in fact, after a transitional period of four and a half years, the last customs duties between the EEC and EFTA countries will disappear. The latter as an ensemble represents the Community's biggest commercial partner: in 1976 EFTA countries absorbed nearly one quarter of Community exports.

For the future, the European Commission intends to:

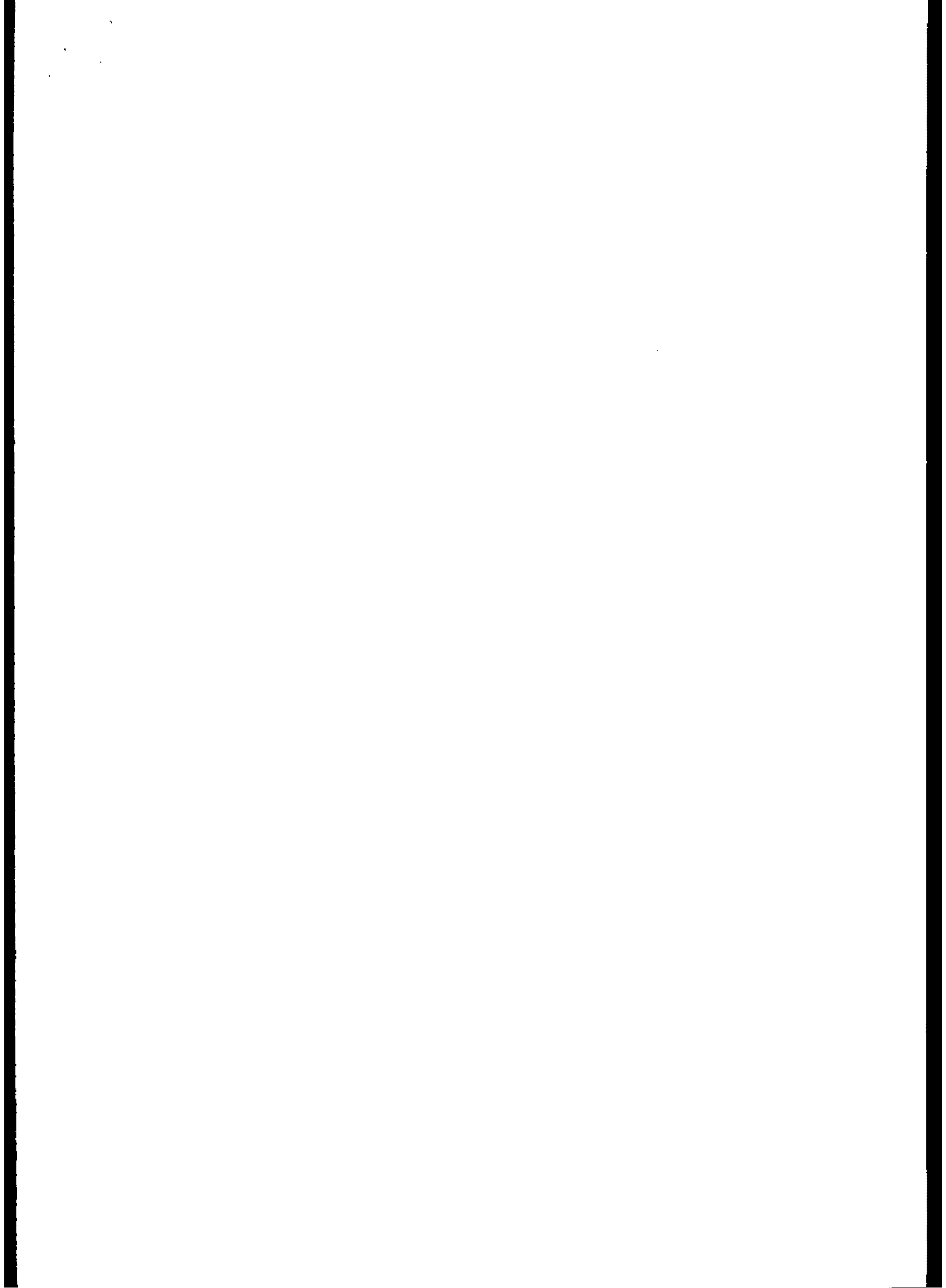
- complete and guarantee free trade. With customs exemption and the abolition of quantitative restrictions, other barriers to trade have become more important. These barriers must be abolished, or even better, avoided;
- develop cooperation. The present cooperation links must be developed pragmatically, possibly outside the framework of free trade agreements.

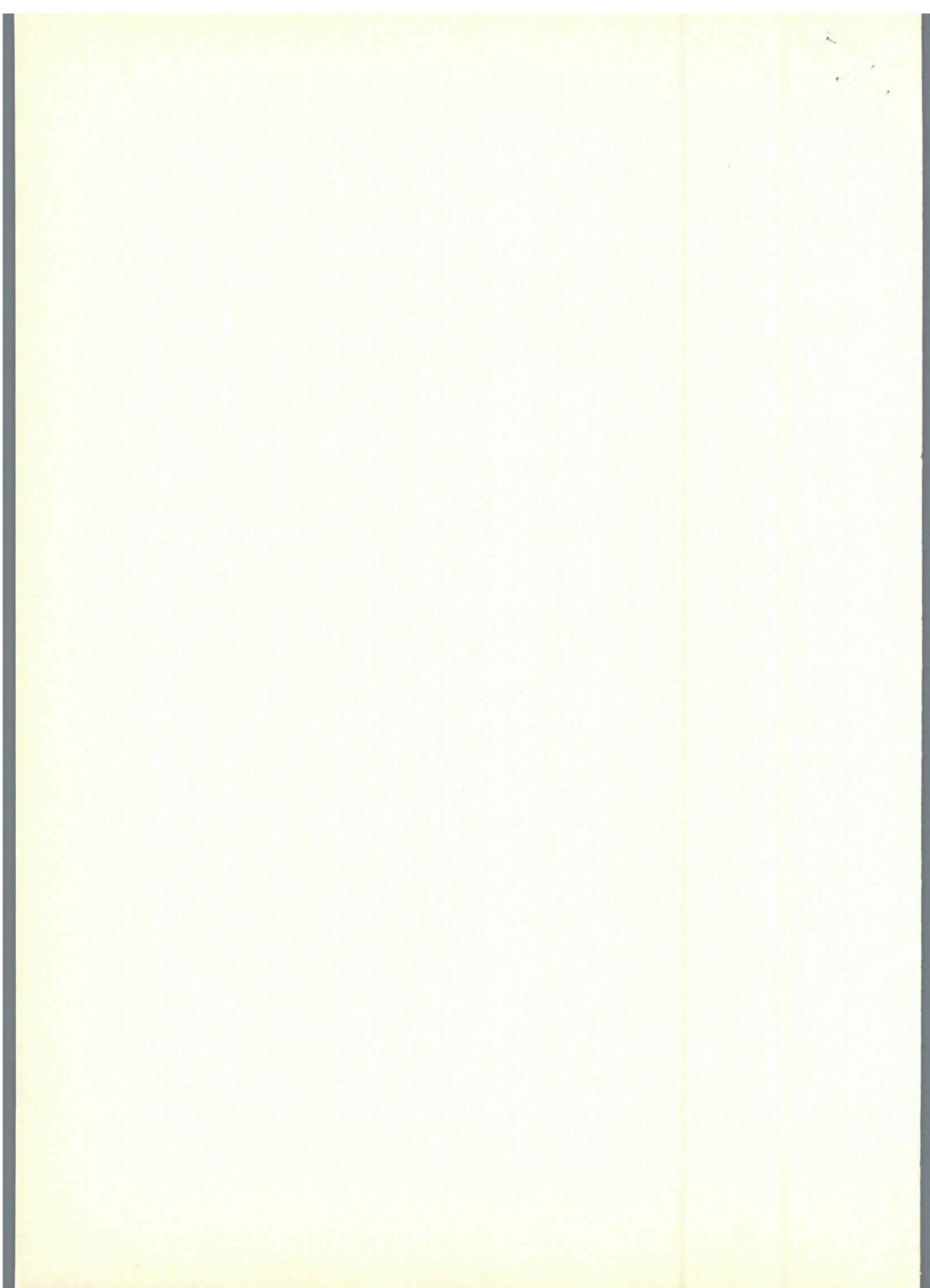
The European Commission plans to present suggestions on this subject to the Council next month. The envisaged cooperation would be diversified according to EFTA countries, in accordance with everybody's interests; for instance, Austria is particularly interested in transport questions, Switzerland in the insurance field, the Scandinavian countries in maritime transport, etc. Also as regards industrial cooperation, the choice of conditions and sectors would be made pragmatically.

---

1 'Agence Europe' of 16/17 May 1977, p.5









---

Luxembourg  
P.O.B. 1601